

Registered Charity No: 313838
Company No: 983028 (England and Wales)

**The Paul Mellon Centre for Studies
in British Art**
(Limited by Guarantee)

GOVERNORS' REPORT AND FINANCIAL STATEMENTS

for the year ended
30 June 2016



The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
GOVERNORS' REPORT AND FINANCIAL STATEMENTS

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The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)

LEGAL AND ADMINISTRATIVE INFORMATION

DIRECTORS/GOVERNORS

Amy Meyers
Shauna King (retired 31 August 2015)
Peter Salovey
Benjamin Polak
Stephen Murphy (appointed 15 February 2016)

DIRECTOR OF STUDIES

Mark Hallett

SECRETARY

Amy Meyers

COMPANY NUMBER

983028 (England and Wales)

REGISTERED CHARITY NUMBER

313838

REGISTERED OFFICE

15 - 16 Bedford Square
London
WC1B 3JA

STATUTORY AUDITOR

RSM UK Audit LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Bucks
MK9 1BP

BANKERS

Lloyds TSB Bank plc
Victoria House
37 Southampton Row
Holborn
London
WC1B 5HR

SOLICITORS

Farrer & Co LLP
66 Lincoln's Inn Fields
London
WC2A 3LH

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)

GOVERNORS' REPORT

The Governors present their annual report and the financial statements of The Paul Mellon Centre for Studies in British Art for the year ended 30 June 2016.

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the accounts and comply with the charity's governing document, the Companies Act 2006, the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Charities Act 2011.

GOVERNING INSTRUMENT AND LEGAL STATUS

The company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association. Under those Articles, the members of the Board are appointed and removed by the members of the company.

The charity is a limited liability company (Limited by Guarantee) and is registered in England and Wales (company number 983028).

DIRECTORS

For the purposes of the Companies Act and Charity law, the members of the Board of Governors are deemed to be directors and trustees of the charitable company and throughout this report are referred to as Governors. The following Governors have held office since 1 July 2015:

Amy Meyers
Shauna King (retired 31 August 2015)
Peter Salovey
Benjamin Polak
Stephen Murphy (appointed 15 February 2016)

Each member of the Board of Governors is a subscribing member of the charitable company throughout his or her period of office.

The Paul Mellon Centre ('PMC') operates under the aegis of Yale University. Four members of Yale University's executive management comprise the Trustees/Board of Governors of the Centre, and have legal responsibility for its operations. The Director of the Yale Center for British Art is also ex-officio Chief Executive of the PMC.

Day to day decision-making and management of the Centre is carried out by the Deputy Directors for Grants and Publications, Deputy Director for Finance and Administration, Deputy Director for Research and the Director of Studies (the Senior Management Team (SMT)), who are employees of the Centre. Significant decisions of a financial, operational or strategic nature are made by the Centre's Board of Governors.

The Centre's Advisory Council, which is currently comprised of twelve distinguished and senior representatives from the art history world, meet twice a year to consider applications for financial support offered by the PMC's Fellowships and Grants Programme. The Advisory Council makes the final grant and fellowship allocation decisions.

Decisions relating to the Centre's agreement to fund specific publications are made by the Centre's Publications Committee. This Committee meets twice a year and is comprised of three distinguished art-historians, senior colleagues from Yale University Press, and senior members of the Centre.

RECRUITMENT AND APPOINTMENT OF GOVERNORS AND STAFF

Under the requirements of the charitable company's Memorandum and Articles of Association the members of the Board are elected to serve for a period of three years after which they offer themselves up for re-election.

The Board keeps the skills requirements for the Governor Board under review and in the event that a Governor

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)

GOVERNORS' REPORT

retires or a new Governor is required the Board approaches a member of Yale University. Once a Governor has been appointed, an induction process is undertaken to ensure that they understand the objects and activities of the charity and their responsibilities as a Governor. Ongoing training is provided as required.

The Centre's Board of Governors give of their time freely and are not remunerated for their work. The Board of Governors set the pay of the Centre's Director of Studies and this is reviewed by them periodically. Centre salaries, including those of the Senior Management Team, are reviewed annually by the Director of Studies and the Deputy Director for Finance & Administration, and are approved by the Board of Governors at their annual meeting. The following criteria are used in setting pay:

- Nature of the role and responsibilities
- Average salaries for comparable positions in similar organisations
- Trends of pay in the sector, generally in the UK and at Yale

OBJECTIVES AND PRINCIPAL ACTIVITIES

The charitable company is a non-profit making organisation registered under the Charities Act (registration number 313838) for the advancement of education in, and appreciation and understanding of, British Art for the public benefit, as set out in its governing document. No change in these activities is foreseen and all assets are held for these purposes. The sound investment policy operated by the Chief Financial Officer at Yale University will enable the Centre to comfortably cover all its commitments (see below).

The PMC is designed to promote the most original, important and stimulating research into the history of British art and architecture. It does this through: supporting scholarly research through its fellowships and grants programme; publishing major works of scholarship in both hard-copy and digital form; providing a world-class library and archive devoted to the history of British art; offering teaching and educational programmes to Yale University students and to members of the general public; delivering a vibrant programme of seminars, work-shops, symposia and conferences; and encouraging the Centre's own employees to conduct and publish their research.

The Centre's legal purpose is to promote the research, study and appreciation of British art and architecture. Our aim is to continually develop our different strands of activity in the fields of publishing, grant- and fellowship-giving, teaching, public outreach, research and writing, and in the provision of world-class library and archive facilities, so as to meet this legal purpose.

We measure our success in a number of ways, including published critical approbation, the use of our publications and facilities, the attendance at our events, and the numbers of applications we receive for our various forms of funding provision. In all these areas, our performance has continued to improve over the past year.

The Centre's Director of Studies and Senior Management Team continually reviews the institution's activities and the various performance indicators we use to evaluate success. The Centre also periodically undertakes a process of institutional review, to systematically analyse all the different strands of the Centre's activities. It was agreed in the summer of 2015-16 to embark upon such a Strategic Review over the winter and spring of 2016-2017.

RELATIONSHIP WITH YALE UNIVERSITY

The PMC for Studies in British Art was established by Yale University. The University had received an endowment from an alumnus, Mr Paul Mellon, to support research and publication in the field of British studies, especially in the area of British art history.

This close relationship is enhanced by the Yale-in-London programme. This undergraduate programme is run at the PMC for Studies in British Art, enabling American students to study British culture on its home ground.

REVIEW OF ACTIVITIES AND FINANCIAL REVIEW

The Centre continued to comfortably maintain its publication activities and grant and fellowship awards, and increased overall expenditure on its charitable activities, during the financial year ended 30 June 2016.

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee) GOVERNORS' REPORT

As in all previous years, the bulk of the Centre's funds derive from the endowment income transferred annually from Yale University to which is added royalties on the sales of books published for the Centre by Yale University Press. In the long-term this royalty income rarely exceeds 50% of the total annual investment in the publications programme. Gifts from external funders are occasionally received but in this financial year there were no additional major sources of income.

The PMC remains the only charitable body of its kind with funds dedicated solely for supporting scholarship in the history of British art; without the Centre's presence, research in the history of British art would undoubtedly be significantly more limited. It is widely acknowledged that the Centre's publications programme is a model of its kind and without the Mellon publications subsidy many of the most important books in the field would never be published because almost all of the titles would not be financially viable. Similarly, the support offered by the Centre's grants and fellowships programme undoubtedly leads to significant new research in the field and results in important publications issued not only by the Centre but by other publishers who are recipients of our grants.

During the financial year 2015-2016 the Centre awarded grants and fellowships totalling £519,000. It did so using a new online grants and fellowships system. Over the summer of 2015 it was decided to introduce an online awards administration system to cope with the increasing numbers of grant and fellowship applications being received by the PMC, and to bring its application process into line with other academic grant-giving bodies. Tom Scutt, Digital Manager at the Centre, researched and implemented an online grants system provided by FluidReview, a Canadian company specialising in the field. With input from Mary Peskett Smith, the Fellowships and Grants Manager, the new system was tailored to our requirements. The system was ready for the Autumn 2015 round of awards when it was used for the first time by all applicants, and it completely replaced the old paper-based manual procedures. It has proved highly successful and has generally been well received.

In Autumn 2015 a new PMC category of award, the Digital Project Grant, was introduced and immediately attracted much interest and a large number of applicants. 51 applications were received in this new category and 6 were successful.

Overall in that round, 217 applications were received for the awards offered by the PMC; 61 of these were successful. 9 Curatorial Research Grants were awarded from a total of 23 applications in that category. Publication Grants continued to be heavily oversubscribed; in total 71 Publication Grant applications were received of which 23 were successful. The smaller awards offered, Research Support Grants and Educational Programme Grants, received a combined total of 72 applications and 23 grants were made.

The Wilhelmina Barns-Graham Trust, on whose behalf the PMC has administered a Research Support Grant for a number of years, decided to restructure their funding strands resulting in the Wilhelmina Barns-Graham Research Support Grant being discontinued and it was therefore offered for the last time in Autumn 2015. The Andrew Wyld Research Support Grant, administered by the PMC on behalf of the Andrew Wyld Fund, was offered in the Autumn round.

The Spring 2016 round, which consists mainly of the five categories of Fellowship offered by the Centre, received 115 applications in total. There were, however, some unusual aspects on this occasion. Only 1 Senior Fellowship application was received and only 4 applications were received for the PMC Rome Fellowship. For the first time no award was made in either category, although in June 2016 it was decided to re-advertise the Rome Fellowship. The re-advertisement of this award resulted in 9 applications and the awarding of Rome Fellowship to an excellent applicant. In contrast to the Senior and Rome Fellowships, the other categories of Fellowship offered in Spring 2016 received a healthy number of applications. 5 Mid-Career Fellowships were awarded from a field of 13 applicants; 9 Post-doctoral Fellowships from 24 applicants; and 6 Junior Fellowships from 11 applicants. The smaller awards of Research Support Grants and Educational Programme Grants received a combined number of 62 applications and 28 grants were made.

The Conservation Fellowship for the academic year 2015/2016 of £25,000 was awarded by the Director of the PMC to Gainsborough's House for a Conservation and Research Project into Gainsborough's Painting Practice.

The Board of Governors at Yale University approves the proposed annual expenditure for grants and fellowships but the awards are made in London by the Centre's Advisory Council at its twice annual meetings.

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee) GOVERNORS' REPORT

The Advisory Council in London comprises twelve leading university professors and high-ranking museum professionals with specialist knowledge of the history of British art, architecture and the decorative arts. Members of the Council serve five-year terms and are not renewable without at least a one year gap between terms. Although not policy makers, the Advisory Council, which between its members has a wealth of expert knowledge and professional experience, can be called upon for advice at any point during the year between regular meetings.

Grants and fellowships are only awarded to those applicants whom the Advisory Council deem to have reached the highest standards of achievement. The criteria for awarding its various grants and fellowships rest on the perceived benefit to scholarship, mankind and the sum of human knowledge. These factors are determined by the expert judgement of the Centre's Advisory Council.

The Centre regularly assess the benefits of its awards and remains confident that its current criteria and policies remain entirely valid in the present circumstances. The benefit of new members joining the Advisory Council each year ensures that fresh ideas and opinions reinvigorate the decision-making procedures and the Centre remains confident that it can maintain its current level of support for scholarship in the foreseeable future.

In addition to those grants awarded to other organisations for the purpose of hosting academic events, the Centre organised and hosted conferences both in-house and in collaboration with a range of national and regional museums and galleries, and with colleagues at British Universities.

The Centre's in-house research seminar and research lunch programme, established in FY13, continued to flourish during the year with many sessions attracting full-capacity attendance. Research events held at the PMC and at other venues during the year included the following symposia, workshops, conferences and scholars' mornings: *The Painting Room: The Artist's Studio in Eighteenth-Century Britain*, held at the PMC and at Gainsborough's House; *Artists' Film in Britain: From 1990 to today*, held at the Whitechapel Gallery; *Walter Sickert: The Document and the Documentary*, held at the PMC; *Jean-Etienne Liotard: Master of Truth*, held at the Royal Academy of Arts; *Rowlandson and After: Rethinking Graphic Satire*, held at the PMC and The Queens Gallery; *Exhibiting Contemporary Art in Post-War Britain 1945-60*, held at Tate Britain; *Animating the Georgian London Town House*, held at the National Gallery; *Transforming Topography*, held at the British Library; *Light, Time, Legacy: Francis Towne's Watercolours of Rome*, held at the PMC and the British Museum; and *Showing, Telling, Seeing: Exhibiting South Asia in Britain*, held at the PMC.

The Centre spent a total of £960,564 on its own publications issued by Yale University Press. Among these were publications of note such as: Alex Kidson, *George Romney: A Complete Catalogue of His Paintings*; William Vaughan, *Samuel Palmer: Shadows on the Wall*; Peter Cormack, *Arts & Crafts Stained Glass*; Giles Waterfield, *The People's Galleries: Art Museums and Exhibitions in Britain, 1800-1914*; Elaine Harwood, *Space, Hope and Brutalism: English Architecture, 1945-1975*; David H. Solkin, *Art in Britain 1660-1815*; Marina Lopato, *British Silver: State Hermitage Museum Catalogue*; Erin Griffey, *On Display: Henrietta Maria and the Materials of Magnificence at the Stuart Court*; Susan Rather, *The American School: Artists and Status in the Late-Colonial and early National Era*; Edgar Peters Bowron, *Pompeo Batoni: A Complete Catalogue of His Paintings*; Eric Shanes, *Young Mr. Turner: The First Forty Years, 1775-1815*; Linda Gertner Zatlin, *Aubrey Beardsley: A Catalogue Raisonné*; Mark Hallett, Nigel Llewellyn, Martin Myrone, *Court, Country, City: British Art and Architecture, 1660-1735*; Patricia McCarthy, *Life in the Country House in Georgian Ireland*; Kathryn A. Morrison, John Cattell, Emily Cole, Nick Hill, Pete Smith, *Apethorpe: The Story of an English Country House*.

During the year the Centre also continued to acquire important library and archival materials to enhance its Research Collections.

In the year, the Centre continued to extend its spring Yale-in-London teaching programme to students at Yale-NUS. The Yale-in London programmes during the year (two summer courses, between June and August, and a spring semester from January to April) attracted a total of 28 Yale University undergraduates (26 from New Haven and 2 from Yale-NUS).

The Centre's new digital journal, *British Art Studies*, which is co-published with the Yale Center for British Art, was launched in November 2015 and flourished thereafter, being visited by more than 20,000 unique users over the following months.

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)

GOVERNORS' REPORT

During the year, the PMC launched a new Public Lecture Programme, geared to offering interested members of the general public introductory courses on a broad range of topics in the history of British art and architecture. The first such lecture course, on eighteenth-century British art, was organised for the autumn term of 2015, and proved a great success. The course was fully booked and received very positive feedback.

At their annual meeting in February 2013, the Board of Governors agreed to support the Centre's expansion plans and over the course of 2015-16 the majority of the planned expansion and refurbishment work was completed. A refurbished and extended Centre was re-opened to the public in October 2015, with the Centre's official re-launch celebrations taking place in March 2016.

Within the financial year, the Centre completed the majority of the work related to its Expansion Project and the main bulk of expenditure related to this project has now been recognised. During the year, it was identified that further work ideally needs to be carried out to the archive stores, which will cost approximately £60,000. The aim is that this additional work will commence in the following financial year and be completed by September 2017.

As the Centre's annual endowment is awarded in USD, the Centre has benefitted from the change in the GBP:USD exchange rate over the last year. The effect of this is that the Centre may have additional funds available in the next financial year to invest in specific projects.

Going forward, the main factor that could affect the financial performance or position of the charity is the fluctuation in the GBP:USD exchange rate.

GOING CONCERN

The Governors review budgets and projections for the next financial year and the following four years at their annual meeting. Based on these reports, the Governors expect the Centre will have adequate reserves and resources to continue its activities for the foreseeable future, and can meet its obligations as they fall due.

FUTURE PLANS

The Centre expects the remaining building and refurbishment work related to the expansion project to be completed by December 2017 and hopes to start using its enhanced archive storage areas shortly afterwards.

The first Bedford Square Arts Festival – designed to promote the arts and humanities of the PMC and its neighbours on Bedford Square - is planned for summer 2017. The PMC has taken the lead in organising the festival, which we hope will become an annual summer event.

The Centre is also planning to start running two Public Lecture Courses per year, one in the Spring and one in the Autumn, from 2018 onwards.

PUBLIC BENEFIT

We have referred to the guidance in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the Governors consider how planned activities will contribute to the aims and objectives they have set.

RESERVES POLICY

The Board has reviewed the reserves of the charity and has concluded that to allow the charitable company to be managed efficiently a general reserve equivalent to a full year's potential expenditure should be held. This figure should mirror the annual transfer from the Endowment, under the control of Yale University, to the operating budget.

At the year end the unrestricted reserves are £5,000,038 after removing reserves related to tangible fixed assets of £2,015,126 there are free reserves of 2,984,912. The level of annual expenditure will fluctuate year on year and the level of reserves is broadly in line with this.

At the year end reserves totalled £5,144,380 (2015: £4,622,656). A breakdown of reserves is given in note 19.

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)

GOVERNORS' REPORT

RISK REVIEW

The Centre's Senior Management Team periodically reviews the principal risks and uncertainties facing the charity and aims to establish policies, systems and procedures to mitigate the risks identified. The main risk currently faced by the Centre is the fluctuation in the GBP:USD exchange rate, as the Centre's annual endowment income is awarded in USD. The Centre manages this risk by ensuring that its annual budgets are calculated at a variety of potential exchange rates to ensure that the Centre could cover its expenditure based on the worst potential exchange rate. The Centre also mitigates this risk by ensuring that it maintains sufficient reserves.

The Senior Management Team have also been focussing on non-financial areas where risks may occur such as fire safety, health & safety, emergency planning, IT, and Human Resources. Steps are being taken to review existing policies, procedures and systems in these areas, and to update and enhance them where required and provide relevant training where necessary.

GRANT MAKING POLICY

The PMC for Studies in British Art, established in 1970, augmented its grant giving policy in 1998. Grants and fellowships are awarded at separate meetings twice a year, and are selected by the Grant Committee. There are several categories both of grants and fellowships and a ceiling of awards is set in each case. Numbers of applicants have risen steadily since 1998.

INVESTMENT POLICY

The PMC does not invest the Endowment, which is under the control of Yale University, however the reserves in London, as required in the reserves policy above, are kept on secure fixed term deposit.

STATEMENT AS TO THE DISCLOSURE OF INFORMATION TO AUDITOR

The Governors in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Governors have confirmed that they have taken all the steps that they ought to have taken as Governors in order to make themselves aware of any relevant audit information and establish that it has been communicated to the auditor.

A resolution to reappoint RSM UK Audit LLP as auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

This report has been prepared in accordance with the exemptions available for small entities under the Companies Act.

On behalf of the Board

 **PETER SALOVEY**
Signature Print Name

Governor

Date

6 February 2017

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)

STATEMENT OF GOVERNORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The Governors (who are also directors of the company for the purposes of company law and the Trustees for the purposes of charity law) are responsible for preparing the Governors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Governors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Governors are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Governors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PAUL MELLON CENTRE FOR STUDIES IN BRITISH ART (Company Limited by Guarantee)

Opinion on financial statements

We have audited the financial statements of The Paul Mellon Centre for Studies in British Art (the 'charitable company') for the year ended 30 June 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 June 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Governors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Governors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Governors' Report and the incorporated Strategic Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Governors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Governors' Report.

Respective responsibilities of Governors and auditor

As explained more fully in the Statement of Governors' responsibilities set out on page 8, the Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PAUL MELLON
CENTRE FOR STUDIES IN BRITISH ART (Company Limited by Guarantee)**

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

SARAH MASON (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP, Statutory Auditor

Chartered Accountants

The Pinnacle

170 Midsummer Boulevard

Milton Keynes

Bucks

MK9 1BP

Date **20 February 2017**

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT)
for the year ended 30 June 2016

	<i>Notes</i>	2016 Restricted Funds £	2016 Unrestricted Funds £	2016 Total Funds £	2015 Total Funds £
INCOME FROM:					
<i>Other trading activities:</i>					
Publishing Royalties	1	-	381,595	381,595	461,516
Summer Programme	1	-	112,733	112,733	161,182
Yale Undergraduate courses	1	-	128,362	128,362	161,874
Pevsner Programme	1	166,000	-	166,000	192,000
<i>Charitable activities:</i>					
Reserve income	2	-	100,000	100,000	125,000
Endowment income	2	-	2,449,250	2,449,250	2,275,033
Grants and fellowships income	2	8,000	575,000	583,000	608,338
Allen Fund	2	-	-	-	128,959
Publications income	2	-	175,000	175,000	190,091
Expansion project	2	368,000	-	368,000	1,770,000
<i>Investments</i>	3	-	22,321	22,321	22,411
TOTAL		542,000	3,944,261	4,486,261	6,096,404
EXPENDITURE ON:					
<i>Charitable activities:</i>					
Publishing and printing costs	6	56	960,509	960,564	1,101,139
Summer programme costs	6	56	212,297	212,353	188,603
Yale Undergraduate courses	6	56	206,786	206,842	168,415
Fellowships and grants payable	6	30,480	1,990,175	2,020,655	1,780,130
Pevsner Programme	6	203,238	100,085	303,323	289,412
Expansion project	6	95,037	165,763	260,800	369,970
TOTAL		328,923	3,635,614	3,964,537	3,897,669
NET INCOME		213,077	308,647	521,724	2,198,735
Transfers between funds	19	(749,285)	749,285	-	-
NET MOVEMENT IN FUNDS		(531,208)	1,057,932	521,724	2,198,735
TOTAL FUNDS BROUGHT FORWARD	19	680,550	3,942,106	4,622,656	2,423,921
TOTAL FUNDS CARRIED FORWARD		144,342	5,000,038	5,144,380	4,622,656

The net income for the year arises from the charity's continuing operations.
The notes on pages 14 to 28 form part of these financial statements.

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
BALANCE SHEET
At 30 June 2016

Registered Charity No: 313838
Company No: 983028

	Notes	2016 £	2015 £
FIXED ASSETS			
Tangible assets	10	2,015,126	1,115,359
		<u> </u>	<u> </u>
CURRENT ASSETS			
Debtors	11	362,659	369,878
Cash at bank and in hand		3,437,507	4,270,618
		<u> </u>	<u> </u>
		3,800,166	4,640,496
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	12	670,912	1,123,199
		<u> </u>	<u> </u>
NET CURRENT ASSETS		3,129,254	3,517,297
		<u> </u>	<u> </u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,144,380	4,632,656
		<u> </u>	<u> </u>
Creditors: amounts falling due after one year	13	-	10,000
		<u> </u>	<u> </u>
NET ASSETS		5,144,380	4,622,656
		<u> </u>	<u> </u>
CAPITAL AND RESERVES			
Unrestricted funds	19	5,000,038	3,942,106
Restricted Funds	19	144,342	680,550
		<u> </u>	<u> </u>
		5,144,380	4,622,656
		<u> </u>	<u> </u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies.

These financial statements on pages 11 to 28 were approved by the Board of Governors and authorised for issue on 6 February 2017 and were signed on its behalf by


Signature Print Name

Governor


Signature Print Name

Governor

The notes on pages 14 to 28 form part of these financial statements.

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
 STATEMENT OF CASH FLOWS
 for the year ended 30 June 2016

	<i>Notes</i>	2016 £	2015 £
OPERATING ACTIVITIES			
Cash generated from operations	18	176,289	2,616,321
NET CASH FROM OPERATING ACTIVITIES		<u>176,289</u>	<u>2,616,321</u>
INVESTING ACTIVITIES			
Interest received		22,321	22,411
Payments to acquire tangible fixed assets		(1,031,821)	(1,043,970)
Proceeds on disposal of tangible fixed assets		100	-
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,009,400)</u>	<u>(1,021,559)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>(833,111)</u>	<u>1,594,762</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		4,270,618	2,675,856
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>3,437,507</u>	<u>4,270,618</u>

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)

ACCOUNTING POLICIES

COMPANY INFORMATION

The Paul Mellon Centre for Studies in British Art is a private charitable company limited by guarantee incorporated in England and Wales (no. 983028). Details of the registered office are given on page 1 of the financial statements.

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) issued on 16 July 2014 and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

RECONCILIATION WITH PREVIOUS GENERALLY ACCEPTED ACCOUNTING PRACTICE AND TRANSITION TO FRS 102

These financial statements are the first financial statements of The Paul Mellon Centre for Studies in British Art prepared in accordance with Charities SORP (FRS 102). The financial statements of The Paul Mellon Centre for Studies in British Art for the year ended 30 June 2015 were prepared in accordance with previous UK GAAP.

In preparing the accounts, the Governors have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP (FRS 102) a restatement of comparative items was needed. No restatements were required. The transition date was 1 July 2014.

Governance costs have now been apportioned to expenditure on charitable activities on the face of the Statement of Financial Activities.

GOING CONCERN

The Governors have reviewed detailed operating budgets for the next five years. Based on these budgets the Governors expect the charitable company will have available adequate reserves and resources to continue its activities for the foreseeable future, and can meet its obligations as they fall due. Therefore the financial statements have been prepared on a going concern basis.

FUNCTIONAL CURRENCY

The financial statements are presented in sterling which is also the functional currency of the charity.

Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Gains or losses on translation are included in the statement of financial activities.

FIXED ASSETS AND DEPRECIATION

All fixed assets are stated at historical cost less accumulated depreciation. The cost of minor additions or those costing below £1,000 are not capitalised. Depreciation is provided at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Leasehold improvements	over 25 year lease term
Fixtures and fittings	over 5 years
Computer equipment	over 3 years

STATUS OF THE CHARITABLE COMPANY

The charitable company is limited by guarantee and has no share capital. On a winding up each person who is a member at the date of winding up, or ceased to be a member during the year prior to that date, is liable to contribute a sum not exceeding £1 towards the assets of the charitable company. At 30 June 2016 the charitable company had 4 members (2015: 4).

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)

ACCOUNTING POLICIES

INCOME

Royalties are accounted for on an accruals basis.

Income and expenditure relating to Summer Programme/ Yale in London/ Pevsner programmes are recognised in the year in which a programme is undertaken.

Endowment and other income is accounted for on an accruals basis when the charity becomes entitled to the income.

FELLOWSHIPS AND GRANTS PAYABLE

Grants are accounted for on an accruals basis according to when they are authorised.

EXPENDITURE

Expenditure is recognised on an accruals basis as a liability is incurred. It is allocated to the particular activity where the cost relates directly to that activity.

Charitable activities include expenditure associated with publication and printing costs, programme costs, course costs and grant costs and include both the direct costs and support costs relating to these activities.

Support costs and overheads include central functions and have been allocated to charitable activity cost categories on a basis consistent with the use of resources. For example, staff costs have been allocated by time spent and support costs have been allocated by their usage.

Governance costs are costs associated with the governance arrangements of the charity which relate to the general running of the charity as opposed to those costs associated with charitable expenditure. Included within this category are costs associated with the strategic as opposed to day to day management of the charity's activities.

PENSION CONTRIBUTIONS

The company operates a defined contribution scheme. The charge to the statement of financial activities is the amount payable in respect of the accounting period. Unpaid contributions are recognised and are provided for in the balance sheet (note 14).

UNRESTRICTED FUNDS

Unrestricted funds are donations and other income receivable or generated for the objects of the charity without further specified purpose and are available as general funds.

RESTRICTED FUNDS

Restricted funds are subjected to restrictions on their expenditure imposed by their donor.

LEASES

Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

HERITAGE ASSETS

The Paul Mellon Centre for Studies in British Art has a collection of historical books and archives which are held in support of the Centre's primary objective of advancing education in, and appreciation and understanding of, British art. The Governors consider that, owing to the incomparable nature of these historic books and archives, conventional valuation approaches lack sufficient reliability and that, even if the valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the Centre and users of the accounts. As a result, no value is reported for these assets in the balance sheet.

Further information is given in notes 22 and 23.

FINANCIAL INSTRUMENTS

The charity has elected to apply the provisions of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instruments Issues" of FRS 102, in full, to all of its financial instruments.

Financial instruments are classified and accounted for according to the substance of the contractual arrangement as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)

ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS (continued)

Financial assets

Basic financial assets, which include other debtors and accrued income are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost.

Financial liabilities

Basic financial liabilities, which include trade creditors, grants payable, other creditors and accruals, are initially measured at transaction price and subsequently measured at amortised cost.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

In the application of the charity's accounting policies, the Governors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The Governors review any grants that have been committed during the year and remain unpaid at the year-end. The Governors must make a judgement as to whether the unpaid grants meet the criteria to be recognised in the financial year and therefore accrued as a liability at the year-end.

The publishing royalties recognised in the year are not known at the year end. The Governors make an estimate for this amount based on previous amounts received and post year-end information. The amount recognised in respect of this income for the year ended 30 June 2016 was £381,595.

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

1 INCOME FROM OTHER TRADING ACTIVITIES

	2016 Restricted £	2016 Unrestricted £	2016 Total £	2015 Total £
Publishing Royalties	-	381,595	381,595	461,516
Summer Programme	-	112,733	112,733	161,182
Yale Undergraduate courses	-	128,362	128,362	161,874
Pevsner Programme	166,000	-	166,000	192,000
	<u>166,000</u>	<u>622,690</u>	<u>788,690</u>	<u>976,572</u>

The income from other trading activities was £788,690 (2015: £976,572) of which £622,690 was unrestricted (2015: £784,572) and £166,000 was restricted (2015: £192,000).

2 INCOME FROM CHARITABLE ACTIVITIES

	2016 Restricted £	2016 Unrestricted £	2016 Total £	2015 Total £
Reserve income	-	100,000	100,000	125,000
Endowment income	-	2,449,250	2,449,250	2,275,033
Grants and fellowships income	8,000	575,000	583,000	608,338
Allen Fund	-	-	-	128,959
Publications income	-	175,000	175,000	190,091
Expansion project	368,000	-	368,000	1,770,000
	<u>376,000</u>	<u>3,299,250</u>	<u>3,675,250</u>	<u>5,097,421</u>

The income from charitable activities was £3,675,250 (2015: £5,097,421) of which £3,299,250 was unrestricted (2015: £3,192,462) and £376,000 was restricted (2015: £1,904,959).

3 INCOME FROM INVESTMENTS

	2016 £	2015 £
Bank interest receivable	<u>22,321</u>	<u>22,411</u>

The income from investments was all unrestricted in the current and prior year.

4 NET MOVEMENT IN FUNDS

	2016 £	2015 £
Net movement in funds is stated after charging:		
Operating lease rentals	307,206	174,423
Auditor's remuneration:		
- audit services	9,500	8,750
- other services	7,036	4,642
Depreciation of tangible fixed assets:		
- owned	<u>106,161</u>	<u>36,809</u>

Of the total income, £4,455,940 (2015: £6,067,993) was received from outside the United Kingdom.

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

5	EMPLOYEES	2016	2015
		No.	No.
	The average monthly number of persons (excluding Governors) employed by the charitable company during the year was:		
	Research and administration	21	18
		<hr/>	<hr/>
		2016	2015
		£	£
	Staff costs for the above persons:		
	Wages and salaries	891,599	753,967
	Social security costs	96,575	85,073
	Pension costs	161,645	151,019
		<hr/>	<hr/>
		1,149,819	990,059
		<hr/>	<hr/>
	The number of employees whose emoluments (excluding pension contributions) amounted to more than £60,000 in the year in increasing bands of £10,000 were:	2016	2015
		No.	No.
	£70,001 to £80,000	-	1
	£80,001 to £90,000	2	1
	£160,001 to £170,000	-	1
	£170,001 to £180,000	1	-
		<hr/>	<hr/>

During the year pension contributions for the above employees amounted to £72,217 (2015: £67,898).

Directors received no remuneration for their work as Governors (2015: £nil).

No amounts were paid or expenses reimbursed to the members of the Board of Governors during the year (2015: £nil).

The key management personnel of the charity comprise the Governors and the UK Senior Management Team.

The total employee benefits of the key management personnel during the year, which comprised salary, pension benefits and benefits in kind, were £487,456 (2015: £458,490) and Employers National Insurance of £49,504 (2015: £45,921).

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

6 EXPENDITURE ON CHARITABLE ACTIVITIES - ALLOCATION OF SUPPORT COSTS AND OVERHEADS

Charitable activities 2016	Staff costs £	Depreciation £	Direct costs £	Support costs £	Total 2016 £
Publishing costs	116,951	-	737,197	106,416	960,564
Summer Programme costs	26,583	-	84,197	101,573	212,353
Yale Undergraduate courses	26,583	-	78,686	101,573	206,842
Fellowships and grants	911,457	44,158	515,708	549,332	2,020,655
Pevsner costs	-	-	203,182	100,141	303,323
Expansion project	68,245	62,003	26,736	103,816	260,800
	<u>1,149,819</u>	<u>106,161</u>	<u>1,645,706</u>	<u>1,062,851</u>	<u>3,964,537</u>
Charitable activities 2015	Staff costs £	Depreciation £	Direct costs £	Support costs £	Total 2015 £
Publishing costs	61,446	-	951,080	88,613	1,101,139
Summer Programme costs	21,785	-	80,477	86,341	188,603
Yale Undergraduate courses	21,784	-	60,289	86,342	168,415
Fellowships and grants	757,510	36,809	516,970	468,841	1,780,130
Pevsner costs	-	-	204,318	85,094	289,412
Expansion project	127,534	-	150,039	92,397	369,970
	<u>990,059</u>	<u>36,809</u>	<u>1,963,173</u>	<u>907,628</u>	<u>3,897,669</u>

The expenditure on charitable activities was £3,964,537 (2015: £3,897,669) of which £3,635,614 was unrestricted (2015: £3,424,668) and £328,923 was restricted (2015: £473,001).

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

7	SUPPORT COSTS	2016	2015
		£	£
	Operating costs	277,112	311,689
	Accommodation costs	470,156	246,548
	Other expenses	254,145	292,697
	Governance costs	61,438	56,694
	Total support costs	1,062,851	907,628
8	GRANTS PAYABLE	2016	2015
		£	£
	Fellowships and grants payable to institutions	233,300	234,455
	Fellowships and grants payable to individuals	285,700	291,702
	Grants cancelled/written back in the year	(8,570)	(11,075)
		510,430	515,082

70 grants and fellowships were awarded to individuals in the year ended 30 June 2016 (2015: 60) and 42 grants and fellowships were awarded to institutions (2015: 43).

Institutional grants were awarded as follows:

Institution	No. of grants awarded	Awarded in the year £
Afterall, Central Saint Martins College, University of the Arts London	1	8,000
Bitter Lemon Press (under the imprint Wilmington Square Books)	1	5,000
British Museum Publications	1	7,000
Buxton Museum and Art Gallery	1	10,000
Centre for Eighteenth Century Studies, University of York	1	1,900
Corpus Vitrearum Medii Aevi	1	7,000
Courtauld Institute of Art	1	10,000
Coventry University	1	1,800
Dulwich Picture Gallery	1	2,000
Edwardian Culture Network	1	1,100
Gainsborough's House	1	20,000
Greenwich Foundation for the Old Royal Naval Hospital	1	8,500
Hayward Gallery	1	7,500
I.B.Tauris & Co., Publishers	1	7,000
Institute of Contemporary Arts (ICA)	1	8,000
Kingston University	1	1,000
Leamington Spa Art Gallery & Museum	1	6,000
London College of Fashion	1	1,800
LUX	1	6,700
Middlesbrough Institute of Modern Art	1	17,000
National Gallery, London	2	3,000
National Horseracing Museum	1	10,000
National Portrait Gallery	1	10,000
Pennsylvania University Press	1	1,700
Carried forward to page 21	25	162,000

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Institutional grants were awarded as follows:

Institution	No. of grants awarded	Awarded in the year £
Brought forward from page 20	25	162,000
Reaktion Books	1	3,500
Public Monuments and Sculpture Association	1	5,000
Royal Academy of Arts	1	3,500
Royal Institute of British Architects	1	500
Tate	1	1,500
The Hepworth Wakefield	1	2,000
The Munnings Art Museum	1	5,000
Turner Contemporary	1	20,000
University College Dublin	1	5,000
University of Cambridge	1	1,600
University of East Anglia	1	2,000
University of Edinburgh, ESALA	1	2,000
University of Melbourne	1	1,500
University of York	1	2,000
Vivid Projects	1	1,200
Walker Art Gallery	1	10,000
Yale University Press	1	5,000
	<hr/> 42	<hr/> 233,300

Individual grants were awarded as follows:

Individual	No. of grants awarded	Awarded in the year £
Alice Dolan	1	8,000
Alison Clarke	1	900
Amy Jeffs (for Digital Pilgrim)	1	5,000
Anne Helmreich	1	1,700
Arnika Schmidt	1	2,000
Ayla Lepine	1	1,500
Boris Sokolov	1	1,000
Brett Culbert	1	2,000
Brigid von Preussen	1	7,500
Caroline Dakers	1	500
Catherine Roach	1	3,000
Catriona Murray	1	1,500
Christine Hui Lan Manley	1	2,000
Claire Shepherd	1	1,100
Clare Backhouse	1	1,900
Clarrie Wallis	1	1,300
Claudia Tobin	1	8,000
Deepthi Murali	1	2,000
Dervla MacManus	1	1,000
Devika Singh	1	8,000
Dr Alex Bremner (for University of Edinburgh)	1	2,000
	<hr/> 21	<hr/> 61,900

Carried forward to page 22

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Institutional grants were awarded as follows:

Institution	No. of grants awarded	Awarded in the year £
Brought forward from page 21	21	61,900
Elizabeth Sarah Berkowitz	1	2,000
Emily Knight	1	900
Fiona Mann	1	1,100
Grant Lewis	1	400
Hilary Matthews	1	1,000
Irene Sunwoo	1	4,000
Isabelle Baudino	1	12,000
James Augustin Legard	1	8,000
Jane Kamensky	1	1,500
Jo Applin	1	1,700
Jennifer Chuong	1	2,000
John Chu	1	8,000
Joseph Monteyne	1	12,000
Julia Lum	1	7,500
Julien Domercq	1	2,000
Kaara L. Peterson	1	600
Katherine Jackson	1	1,000
Kirsty Sinclair Dootson	1	7,500
Lisa Haber-Thomson	1	2,000
Louise Hardiman	1	8,000
Lucy Curzon	1	2,000
Margaret J. Schmitz	1	1,200
Mark Bills (for Gainsborough's House)	1	25,000
Martin Heale	1	500
Meaghan Whitehead	1	2,000
Mia L. Bagneris	1	12,000
Mrinalini Rajagopalan	1	12,000
Noah Ziggy Gentile	1	7,500
Oliver Fearon	1	500
Pandora Syperek	1	8,000
Paula Murphy	1	600
Phillip Prodger (for National Portrait Gallery)	1	19,800
Professor Michael Hunter	1	2,100
Rebecca Senior	1	1,000
Rebecca Wade	1	8,000
Rees Arnott-Davies	1	2,000
Renate Dohmen	1	2,000
Sarah Hendriks	1	500
Sileas Wood	1	300
Sophie Elisabeth Morris	1	2,000
Sophie Hatchwell	1	2,000
Sria Chatterjee	1	7,500
Stephen Barber	1	1,900
Tamsin Foulkes (for University of Nottingham)	1	700
Temi Odumosu	1	2,700
Tessa Wild	1	12,000
Tiffany Charlotte Boyle	1	1,300
Tom Young	1	2,000
Veronica Uribe	1	1,500
	70	285,700

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

9 TAXATION

The company is a registered charity and, as such, its income and gains falling within Section 471 to 489 of the Corporation Tax Act 2011 or Section 256 of the Taxation of Chargeable Gains Act 1992 are exempt from corporation tax to the extent that they are applied to its charitable objectives.

10 TANGIBLE FIXED ASSETS	<i>Leasehold improvements</i> £	<i>Fixtures and fittings</i> £	<i>Computer equipment</i> £	<i>Total</i> £
Cost				
1 July 2015	1,031,051	547,282	181,486	1,759,819
Additions	980,235	26,264	25,322	1,031,821
Disposals	-	(62,456)	(910)	(63,366)
30 June 2016	2,011,286	511,090	205,898	2,728,274
Depreciation				
1 July 2015	-	487,150	157,310	644,460
Charged in the year	62,003	17,683	26,475	106,161
Eliminated in respect of disposals	-	(37,473)	-	(37,473)
30 June 2016	62,003	467,360	183,785	713,148
Net book value				
30 June 2016	1,949,283	43,730	22,113	2,015,126
30 June 2015	1,031,051	60,132	24,176	1,115,359
11 DEBTORS			2016 £	2015 £
Other debtors			23,328	21,447
Prepayments			150,507	141,809
Accrued income			188,824	206,622
			362,659	369,878
12 CREDITORS: Amounts falling due within one year			2016 £	2015 £
Grants awarded but not yet paid			240,300	368,817
Trade creditors			100,410	153,156
Other creditors			21,805	11,507
Other taxation and social security costs			30,813	28,959
Accruals and deferred income			277,584	560,760
			670,912	1,123,199

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

12 CREDITORS: Amounts falling due within one year (*continued*)

DEFERRED INCOME	2016 £	2015 £
Deferred income at 1 July 2015	411,107	119,112
Incoming resources deferred in the year	75,254	411,107
Amounts released from previous years	(411,107)	(119,112)
Deferred income at 30 June 2016	<u>75,254</u>	<u>411,107</u>

Deferred income arises where the Centre receives income early, before the period it relates to. £75,254 (2015: £nil) of deferred income relates to payments for courses due to be held in the Summer of 2017 and £nil (2015: £411,107) of deferred income relates to the monthly endowment income instalment from Yale.

13 CREDITORS: Amounts falling due in more than one year	2016 £	2015 £
Grants awarded but not yet paid	-	10,000

14 PENSION COMMITMENTS

The company operates a defined contribution pension scheme whose assets are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company, including death in service, and amounted to £161,645 (2015: £151,019). This cost is allocated between activities on the same basis as staff costs. Contributions payable to the fund at the year end and included in creditors amounted to £12,530 (2015: £11,507).

15 CAPITAL COMMITMENTS

	2016 £	2015 £
Capital expenditure contracted for but not provided in the financial statements	-	312,146

16 OTHER FINANCIAL COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £	2015 £
Amounts due:		
Within one year	296,900	296,900
Between one and five years	1,187,600	1,187,600
After five years	5,517,392	5,814,292
	<u>7,001,892</u>	<u>7,298,792</u>

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

17 FINANCIAL INSTRUMENTS

The carrying amounts of the charity's financial instruments at 30 June were:

	2016	2015
	£	£
Financial assets:		
Measured at amortised cost:		
Accrued income	188,824	206,622
Other debtors	23,328	21,447
	<u>212,152</u>	<u>228,069</u>
Financial liabilities:		
Measured at amortised cost:		
Grants payable	240,300	368,817
Trade creditors	100,410	153,156
Other creditors	21,805	11,507
Accruals	189,830	149,653
	<u>552,345</u>	<u>693,133</u>

18 RECONCILIATION OF NET INCOME TO NET CASH GENERATED FROM OPERATIONS

	2016	2015
	£	£
Net income	521,724	2,198,735
Adjustments for:		
Depreciation of tangible assets	106,161	36,809
Loss/(gain) on disposal of tangible fixed assets	25,793	-
Interest receivable	(22,321)	(22,411)
Operating cash flows before movement in working capital	<u>631,357</u>	<u>2,213,133</u>
(Increase)/decrease in debtors	7,219	120,049
(Decrease)/increase in creditors	(462,287)	283,139
Cash generated from operations	<u>176,289</u>	<u>2,616,321</u>

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

19	MOVEMENT IN FUNDS	At 1 July 2015 £	Income £	Expenditure £	Transfers £	At 30 June 2016 £
	Unrestricted funds	3,942,106	3,944,261	(3,635,614)	749,285	5,000,038
	Restricted funds:					
	Barns-Graham	-	2,000	(2,000)	-	-
	Pevsner Programme	75,325	166,000	(203,182)	-	38,143
	Expansion Project	476,266	368,000	(94,981)	(749,285)	-
	The Allen Fund	128,959	-	(22,760)	-	106,199
	Andrew Wyld	-	2,000	(2,000)	-	-
	Gainsborough Project	-	4,000	(4,000)	-	-
	Total funds	4,622,656	4,486,261	(3,964,537)	-	5,144,380

Unrestricted funds represent donations and other income receivable or generated for the objects of the charity without further specified purpose and are available as general funds.

Restricted funds are subjected to restrictions on their expenditure as imposed by their donor. Further details of each restricted fund are as follows:

Barns-Graham Research Support Grant: The Wilhelmina Barns-Graham Research Support Grant was instigated by the Trust in 2009 and is administered by the Paul Mellon Centre for Studies in British Art. One grant is awarded annually to a scholar or researcher in the field of twentieth-century British painting.

Pevsner Programme: The Pevsner Architectural Guides are a series of guide books on the architecture of the British Isles. The Paul Mellon Centre agreed to provide financial support for the updating of the Pevsner Buildings of England series from 2012 to 2020.

Expansion Project: Expansion and refurbishment project to provide an improved environment and increased space for our library and archives, our events programme, our Yale-in-London students and our staff. This project is now complete.

The Allen Fund: This fund was created by a generous gift from the Trustees of Paul Mellon's Estate to The Paul Mellon Centre during the year in honour of Brian Allen who was the Centre's Director from 2003 to 2012. The majority of this donation will be used to fund a new Fellowship at the Centre, called the "Allen Fellowship". The Allen Fellow will work at the Centre for two years on a variety of the scholarly projects being undertaken at the Centre. This donation would support this Fellowship for four years. The remaining funds from The Allen Fund will be used to support a new initiative at the Centre, which will be called the "Country Houses Project". The aim of this project is to catalogue the collections of paintings at some of Britain's most important country houses.

Andrew Wyld Research Support Grant: The Andrew Wyld Research Support Grant is administered by the Paul Mellon Centre. The awards will be made annually to students working on a topic in the field of British works of art on paper of the eighteenth and nineteenth centuries, including watercolours, prints and drawings.

Gainsborough: A catalogue of Gainsborough's work is currently being written by Hugh Belsey and will be published by the PMC, in association with Yale University Press, in 2018/9. These funds were given to the Centre specifically as a contribution towards the completion of this catalogue.

Transfers

An amount equal to the capital spend on the Expansion Project has been transferred from restricted funds to unrestricted as the monies have been spent as required by the donor.

The Paul Mellon Centre for Studies in British Art (Limited by Guarantee)
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20 ANALYSIS OF NET ASSETS

	Restricted Funds £	Unrestricted Funds £	Total Funds £
Tangible fixed assets	-	2,015,126	2,015,126
Current assets	183,921	3,616,245	3,800,166
Current liabilities	(39,579)	(631,333)	(670,912)
	<u>144,342</u>	<u>5,000,038</u>	<u>5,144,480</u>

21 RELATED PARTY TRANSACTIONS

During the year the charity received £4,149,599 (2015: £5,409,900) from Yale University, the entity responsible for establishing the charity. The University releases endowment monies to the charity from monies originally received from alumnus, Mr Paul Mellon.

During the year the charity received £37,856 (2015: £67,618) from Yale NUS (Singapore), an entity under common control of Yale University. The funds were used for the Yale in London spring term course.

At the year end Yale University owed the charity £9,276 (2015: £2,407) in respect of sterling expenses incurred on behalf of Yale University.

During the year the charity received £381,595 (2015: £461,516) from Yale University Press, in relation to publishing royalties. Yale University Press is a subsidiary of Yale University, the entity responsible for establishing the charity. During the year the charity paid £660,078 (2015: £855,240) to Yale University Press for book publishing costs. Included in creditors is a balance of £36,672 (2015: £93,309) due to Yale University Press.

22 HERITAGE ASSETS NOT RECOGNISED IN THE BALANCE SHEET

The Paul Mellon Centre maintains a collection of approximately 30,000 books and exhibition catalogues, 8,600 auction catalogues, 50 journal titles and 28 separate archive collections. The Centre's archives mainly consist of the research papers of art historians, many of whom were pioneers in the formation of this discipline. As well as containing important original research and information on artists, the archives chart the historiography of British art history. They also include the Centre's own Institutional Archive which documents the history of the Paul Mellon Centre from its foundation in 1963 to the current day. The book collection covers British painting, sculpture, drawing prints, architecture and garden history from the medieval period to the present day, as well as eighteenth century decorative arts.

The Centre also holds a major photographic archive, which is a series of discrete but related collections consisting of over 185,000 photographs, reproductions and cutting of paintings, drawings and engravings of British Art and architecture from ca. 1200 to the present day. All major artists are represented in depth and one of the strengths of the archive is its coverage of lesser-known British artists.

The Paul Mellon Centre maintains a full catalogue of its library collection of heritage assets. Information provided by this catalogue includes the author, imprint and class of the book. 9 of the 28 archive collections have been fully catalogued, with detailed information given at Collection, series and file level. The remainder of the archive collections have box lists that provide details of the file titles contained within each box, usually recorded at the time the collection is acquired. All of these collections are available to the public via prior appointment.

Preservation/Conservation and management

The Paul Mellon Centre has a programme of conservation which is carried out on a case by case basis. The cost of any conservation work varies year by year and is detailed in the relevant budgets.

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22 HERITAGE ASSETS NOT RECOGNISED IN THE BALANCE SHEET (continued)

The books and archives are managed by the Collections staff including the Librarian, who is responsible for the books and the Archivist and Records Manager, who is responsible for the paper archives. Research Collections staff manage the material in accordance with professional best practice. Research Collections staff report to Professor Mark Hallett, Director of Studies, and relevant policies are approved by the Governors.

Acquisitions and Disposals

Books are added to the collection at a rate of approximately 1250 per year. The Paul Mellon Centre rarely pays more than approximately £250 for a book but there have been exceptions, for example in 2015-16 £1,000 was paid for the 5 volume Francis Bacon catalogue raisonné and £595 for the 4 volume William Scott catalogue raisonné.

The Centre is a collecting institution and actively seeks to acquire archive material in accordance with its official Collecting Policy (agreed and approved by the National Archives). Archive collections may be acquired by gift or purchase and come from both inside and outside the UK. In the financial year 2015-16 the Centre did not acquire any archive collections.

23 FIVE YEAR FINANCIAL SUMMARY OF HERITAGE ASSET TRANSACTIONS

In the last five years approximately 5,000 books and 600 auction catalogues were added to the library collection and there were no major disposals.

In the last five years the Centre has acquired 9 archive collections and there were no disposals.

As of end of June 2016 the library collection was insured for the sum £2,200,000, the archive collections for £640,000, and the photographic archive collection for £250,000.